

## **PREAMBLE**

This Fair Practices Code ("**FPC**") has been framed and adopted by **AVA Finance Private Limited** ("the Company") in accordance with the applicable provisions of Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Master Direction, 2023 (as updated from time to time) and other applicable circulars including guidelines on digital lending and customer protection, along with RBI's Fair Practices Code guidelines, and other circulars issued from time to time.

The Code sets out the minimum standards of fair business and corporate practices while dealing with customers and is applicable across all business verticals of the Company, including physical and digital lending channels.

The Fair Practice Code, as mentioned herein below, is in conformity with the guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI direction. This sets Minimum Fair Practice Standards for the company to follow when dealing with the customers. It provides information to the customers and explains how the company is expected to deal with them on day-to-day basis.

The Fair Practices Code is aimed to provide to the customer effective overview of the practice which will be followed by the Company in respect of financial services/product offered by the Company to its Customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

The Company's Board of Directors and the management Team is responsible for establishing practices designed to ensure that our operations reflect our strong commitment to fair lending and that all employees are aware of that commitment AVA Finance Private Limited is committed to providing service of the highest quality to its clients.

### **APPLICATION OF THE CODE:**

This Fair Practices Code applies to the following categories of products and services offered by us (currently offered or which may be introduced at a future date):

- All loan products including personal loans, business loans, EMI-based loans, and digital loans
- All stages of customer interaction including marketing, sourcing, processing, sanction, disbursement, servicing, and recovery
- All delivery channels including branches, digital platforms, mobile applications, third-party service providers, and lending service providers (LSPs)

The Company shall ensure that its employees, agents, and third-party partners adhere to this Code.

### **OBJECTIVES OF THE CODE:**

The code has been developed with an objective:

- To promote good, fair and trust-worthy practices by setting minimum standards in dealing with customers;
- To enable greater transparency for customers in having a better understanding of the product, taking informed decisions and reasonably expect of the services;
- To ensure compliance with legal norms in matters relating to recovery of advances;
- To ensure building customer confidence in the Company;
- To promote a fair and cordial relationship between customer and the Company;
- To strengthen mechanisms for redressal of customer grievances.

### **APPLICATION FOR LOAN AND THEIR PROCESSING:**

- All Loan Agreement shall contain detailed information relating to the terms and conditions governing the Loan and other relevant information affecting the interest of our valuable customers. These loan agreements shall also contain the particulars of standard documents to be submitted with the loan agreement. However, the Company

may, depending on the credit underwriting requirements require other documents from the customers, as it may deem fit;

- The contents of loan documents are mentioned in the Vernacular language or a language as understood by the borrower which further ensures that the customer understands the terms and conditions governing the Loan;
- Loan agreement shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan agreement may indicate the documents required to be submitted with the loan agreement;
- Wherever applicable, the Company shall follow the system of issuing acknowledgements for receipt of all loan applications. The Company will consider all the documents submitted and the information provided, verify the credit worthiness of the customer and evaluate the proposal at its sole discretion. As a matter of policy and customer service, loan applications are sanctioned / rejected immediately. The Company shall further endeavour to intimate the status of all loan applications to the customer;
- The completed loan agreement shall indicate the loan amount to be disbursed, information which affects the interest of the borrower, the annualized rate of interest applicable, processing fee (if any), dates of interest payments due, loan tenure etc. Company shall provide the acknowledgement receipt of the loan application with the time frame within which loan applications will be disposed of.

**LOAN APPRAISAL AND TERMS AND CONDITIONS:**

- The Company shall convey in writing to the borrower in the vernacular language or language as understood by the borrower by way of sanction letter or otherwise the

amount of loan sanctioned along with all the terms and conditions including annualize rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower;

- The Company shall furnish a copy of the loan agreement in vernacular language or language as understood by the borrowers along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of the loans.
- The Company shall provide a Key Fact Statement (KFS) to the borrower before execution of the loan agreement, containing all critical details such as loan amount, annual percentage rate (APR), total cost of borrowing, recovery mechanism, and grievance redressal details.
- The Company shall comply with the instructions contained in the circular on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time.

### **PENAL CHARGES IN LOAN ACCOUNTS**

- The Company shall not levy penal interest. Any charges for delay or default shall be treated as penal charges, which shall be reasonable, transparent, and non-discriminatory.
- Penal charges shall not be capitalized (i.e., no interest shall be charged on such charges), and shall be clearly disclosed in the loan agreement and Key Fact Statement.;
- The company will formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.

- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category
- The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges to non individual borrowers for similar non-compliance of material terms and conditions.

### **DISBURSEMENT OF LOANS INCLUDING AND CHANGES IN TERMS AND CONDITIONS**

At AVA Finance, we shall value openness and transparency in the system. Company shall keep the customers informed in Vernacular language or language as understood by the borrower, in the event of any modification in terms and conditions, repayment schedule, interest rates, security, and other changes material to customer’s relation with company. Any changes in interest rates and charges shall be effected only prospectively and borrower would be given a favourable notice.

The Company shall provide the borrower with a cooling-off period (look-up period) during which the borrower may exit the loan by paying the principal and proportionate charges without any penalty, as per applicable RBI guidelines.

### **DIGITAL LENDING PRACTICES**

The Company, where loans are sourced or serviced through digital lending platforms or Lending Service Providers (LSPs), shall comply with RBI’s Digital Lending Guidelines.

- The borrower shall be informed of all applicable charges upfront through a Key Fact Statement (KFS).
- Loan disbursement shall be made directly into the borrower’s bank account without pass-through/ pool accounts of third parties.
- All loan servicing and repayments shall be executed directly between the borrower and the Company.

- The Company shall remain responsible for all actions of its LSPs.
- Explicit consent of the borrower shall be obtained before accessing personal data, and such data shall not be stored beyond necessity.
- A cooling-off/look-up period shall be provided to the borrower to exit the loan without penalty as per regulatory guidelines.
- The Company shall ensure that borrower data is collected on a need-based basis, with explicit consent, and shall not be shared with third parties without consent except where required by law.

The Company shall ensure that any outsourcing arrangements with Lending Service Providers (LSPs) do not dilute its obligations to the borrower, and the Company shall remain fully responsible for all customer-related aspects.

#### **RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS (EMI) BASED PERSONAL LOANS**

At the time of sanctioning EMI-based floating rate personal loans, the Company shall assess the borrower's repayment capacity with adequate margin for possible increases in external benchmark rates, and shall put in place a policy framework to ensure that any change in loan tenor or EMI amount due to rising interest rates is implemented only with proper communication to and, where applicable, consent of the borrower, thereby ensuring transparency and borrower protection in line with RBI directions.

- At the time of sanction, company will clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- At the time of reset of interest rates, company will provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia,

may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.

- The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ prepayment penalty shall be subject to extant instructions.
- All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the company from time to time.
- Company will ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- Company will share/ make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan. Company will ensure that the statements are simple and easily understood by the borrower.

Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.

All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them

## **GENERAL CLAUSES:**

### **A. Non-Interference:**

- Company or any of the employee of the Company shall not interfere in the affairs of the borrower except as provided under the circumstances mentioned in the agreement;
- If any new information or findings not previously disclosed by the borrower comes to the notice of company, the above restriction shall not apply.

### **B. Transfer of Account:**

Whenever a request for transfer of loan account is received from a customer, Company shall respond to the same within 21 days of receipt of request. Acceptance or refusal thereof shall be in accordance with terms of the agreement. Such transfer shall be as per transparent contractual terms in consonance with law.

### **C. Recovery Process:**

If any recovery proceedings need to be initiated, these shall be conducted in accordance with the rights provided under the Agreement and in accordance with legally accepted norms.

Company staff or any person authorized to represent the Company in collection of dues shall identify himself / herself and display the authority letter issued by company and upon request, display his/her identity card issued by company. The Company or authorized representative shall provide the customers with all the information regarding overdue. The staff shall be adequately trained to deal with the customers in an appropriate manner.

The Company shall ensure that recovery practices are non-coercive, and no harassment or intimidation (including calls at odd hours, use of abusive language, or public humiliation) shall be resorted to.

The Company and its recovery agents shall contact borrowers only between 8:00 AM and 7:00 PM, unless otherwise agreed by the borrower.

Recovery agents shall follow RBI guidelines and be properly trained.

**D. Foreclosure Charges/ Pre-Payment Penalties on Floating Rate Term Loans:**

As a measure of customer protection and in order to bring in uniformity with regard to prepayment of various loans by borrowers of the Company, AVA Finance shall not charge any foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, if any.

**CONFIDENTIALITY:**

Unless authorized by the borrower, the Company will treat all his personal information as private and confidential.

The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances:

- If the Company is required to provide the information to any statutory or regulatory body or bodies;
- If arising out of a duty to the public to reveal the information;
- If it is in the interest of the borrowers to provide such information (e.g. fraud prevention);
- If the borrower has authorized the Company to provide such information to its group / associate / entities or companies or any such person/ entity as specifically agreed upon.

**KNOW YOUR CUSTOMER GUIDELINES:**

AVA Finance shall explain the requirements of KYC guidelines to its customers and inform them about the documents required for establishing the identity of the customer before loan sanctioning, account opening and operation.

The Company would obtain information only to meet with company's KYC, Anti-Money Laundering or any other statutory requirements. In case any additional information is asked for, it will be sought separately and shall specify the objective of obtaining such additional information.

### **INTEREST RATES AND GRADATION OF RISK:**

#### **Interest Rates:**

Appropriate internal principles and procedures in determining interest rates and processing and other charges shall be followed in line with the approved Company policies from time to time.

The rate of interest arrived shall be based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

In case of floating rate loans, the benchmark (if any) and reset frequency shall be clearly disclosed to the borrower.

#### **Gradation of Risk:**

The decision to give a loan and the interest rate applicable to each loan account shall be assessed on a case-to-case basis, based on multiple parameters such as the borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, etc.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case-to-case basis.

The rate of interest informed are annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

### **LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE**

The Company shall adopt a Fair Practices Code, duly approved by its Board, in a language understood by the borrower, ensuring adherence to RBI guidelines while allowing scope for enhancement without diluting the underlying spirit; the Code shall be displayed on the Company's website for information and access of all stakeholders.

### **GRIEVANCE REDRESSAL MECHANISM AND CUSTOMER RELATIONSHIP MANAGEMENT**

It shall be the endeavour of the Company to improve the quality of service and redress complaints and grievances, if any, of the customers as part of Customer Relationship Management. The Company has provided for three tier Grievance Redressal Mechanism to resolve any of its customers query / grievance.

The customer may register his/her query/ complaint to the Company which shall be addressed to the Grievance Redressal in connection with any matter pertaining to business practices, lending decisions, credit management, recovery and complaints relating to updation/alteration of credit information.

#### **The details of the Grievance Redressal Officer are given as follows:**

Name of the Grievance Redressal Officer: Mr. Ankit Verma

Address: 3rd Floor, 8/17, Plot No. 17, Block No. 8, Karol Bagh, Central Delhi, New Delhi-110005

E-mail ID: [avafin2888@gmail.com](mailto:avafin2888@gmail.com)

In case the borrower is not satisfied with the decision of the Grievance Redressal Officer of the Company, he may approach the Officer in Charge of the Regional Office of Department of Non-Banking Supervision of RBI at the address given below:

**Department of Non-Banking Supervision**

The General Manager

Department of Supervision (DoS)

Reserve Bank of India

6, Sansad Marg, New Delhi- 110001

Email: [crpc@rbi.org.in](mailto:crpc@rbi.org.in)

Contact: 14448 (Toll Free number)

**REVIEW**

This Fair Practice Code has been approved by the Board of Directors of the Company and shall be reviewed periodically in line with regulatory updates.

The Fair Practice Code shall be displayed on the Company's website (if any) and made available to customers upon request.